

BEFORE THE STATE AUDITOR  
AND COMMISSIONER OF INSURANCE  
HELENA, MONTANA

IN THE MATTER OF:

THE CERTIFICATE OF AUTHORITY OF  
THE MONTANA BENEFITS AND  
LIFE COMPANY,

Respondent.

} CASE NO. 2001-16

} CONSENT ORDER SUSPENDING  
CERTIFICATE OF AUTHORITY

In accordance with the duties listed in Section 33-1-311, MCA, the Montana Commissioner of Insurance ("Commissioner") and the Montana Benefits and Life Company (the "Company") hereby adopt and agree to the following Consent Order.

I.

Section 33-2-101, MCA, requires an insurer to have a certificate of authority in order to transact the business of insurance in this state. The Company is a domestic life and disability stock insurer.

II.

Section 33-2-109, MCA, establishes the minimum surplus that an insurer must maintain in order to retain its certificate of authority. As demonstrated in the recent financial statements filed by the Company with the Commissioner, the Company admits and acknowledges that it has failed to maintain the minimum surplus required by statute.

III.

Section 33-2-118(2) mandates the Commissioner to suspend an insurer's certificate of authority if the insurer no longer meets the requirements for obtaining a

Consent Order of Suspension  
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certificate of authority on account of deficiency of assets. The Commissioner has determined and the Company agrees that it has failed to maintain the required surplus, and therefore the suspension of the certificate of authority is appropriate.

IV.

Pursuant to the consent of the Company and because of the failure to maintain adequate surplus, it is hereby ordered that the certificate of authority issued to the Company is suspended. This order shall remain in effect indefinitely, and until rescinded or otherwise removed by the Commissioner.

V.

The Company agrees and consents that it shall cease and desist from processing and soliciting new business, including assuming reinsurance, in this state as of the date of this consent order. All applications that are pending with the Company must be returned to the applicant and not processed.

VI.

It is further ordered and agreed that the Company shall continue to make all filings with the Commissioner and shall pay all fees and taxes as required by law, shall continue to service and accept renewal premiums on such contracts that are currently in effect and cannot be cancelled by the Company, and shall continue to process and pay all claims in a fair and timely manner.

The signer of this Consent Order for the Company hereby certifies that he has the authority pursuant to a duly executed resolution of the Board of Directors of the Company to sign this Consent Order.

This consent order is effective and dated this 14<sup>th</sup> day of March, 2001.

Montana Benefits and Life Company

By: [Signature]  
Its: President

Subscribed and Sworn to before me this 14 day of March, 2001.

(SEAL)

Notary Public for the State of Montana  
Residing at Helena, MT  
My commission expires 2-15-03

JOHN M. MORRISON  
Commissioner of Insurance

By: [Signature]  
John M. Morrison  
Commissioner of Insurance

BEFORE THE STATE AUDITOR  
AND COMMISSIONER OF INSURANCE  
HELENA, MONTANA

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IN THE MATTER OF:

THE MONTANA BENEFITS AND  
LIFE COMPANY,

Respondent.

} CASE NO. 2001-16

} CONSENT ORDER OF  
SUPERVISION

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In accordance with the duties listed in Section 33-1-311, MCA, the Montana Commissioner of Insurance ("Commissioner") and the Montana Benefits and Life Company (the "Company") hereby adopt and agree to the following Consent Order.

I.

Financial statements filed by the Company demonstrate that the Company has failed to maintain the minimum surplus required by 33-2-109, MCA. Such a failure to maintain minimum surplus places the Company in a business situation that is hazardous to the public or to holders of its policies.

II.

Pursuant to section 33-2-1321(2), MCA, the Commissioner may issue an order of supervision if the Commissioner determines that any domestic insurer is in such a condition as to render continuance of its business hazardous to the public or to holders of its policies or certificates of insurance. The Commissioner hereby determines and the Company agrees that the Company is in a hazardous business condition and that supervision of the Company is necessary to protect the public and policyholders.

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With the consent and agreement of the Company, the Commissioner hereby appoints Frank Cote to be the Supervisor to perform those duties as listed in this Consent Order, those required by statute, and any other such duties which the Commissioner shall deem necessary in order to properly supervise the Company. The Company agrees and consents that the Supervisor may remain onsite and shall be provided an office or adequate working space. The Company acknowledges that the Supervisor may retain the services of other advisors or consultants as the Supervisor or Commissioner deems necessary for appropriate supervision of the Company. The Company further agrees to pay for all fees and expenses incurred by the Supervisor or any advisor, agent or consultant retained by Supervisor in his supervision duties.

III.

As required in this Paragraph and as specifically required by Paragraph IV of this Consent Order, the Company consents and agrees not to take any of the following actions without the prior written approval of the Commissioner or the Supervisor:

- A. Dispose of, convey, or encumber any of its assets or its business in force, except as permitted in Paragraph IV of this Consent Order;
- B. Withdraw funds from any of its bank or investments accounts, except as permitted in Paragraph IV of this Consent Order;
- C. Lend any of its funds;
- D. Invest any of its funds;
- E. Incur any debt, obligation, or liability;

F. Merge or consolidate with another company; or

G. Enter into any new reinsurance contract or treaty.

IV.

In light of the cooperation of the Company in its consenting to this Order and in furtherance of maintaining the Company as an ongoing business enterprise, it is not the intent of the Commissioner to burden the Company's operations to require prior approval of the Commissioner or Supervisor of transactions occurring in the normal course of business of the Company, or to inhibit or delay the prompt payment of claims. The Company therefore acknowledges that although it may continue to conduct its normal course of business, such continuance is subject to this Supervision Consent Order and the Suspension Consent Order and subject to the agreement and understanding that the following actions shall be taken only upon the prior approval of the Commissioner or Supervisor:

- A. Issuance of any check or checks for any obligation or transaction which individually or in the aggregate constitutes an amount greater than or equal to \$3,000;
- B. Payment of any amount to a consultant, an affiliate or an officer or director, including payment of ordinary dividends;
- C. Termination, demotion or hiring of any employee or consultant;
- D. Payment of any bonus, salary increase, expense reimbursement or other incentive to an employee, affiliate or other person;
- E. Settlement of any litigation or disputed claim against the Company;



F. Denial of any appealed insurance claim;

G. Execution or modification of any management, administrative, employment or consultant contract, including any contract or agreement with an affiliate, officer, director or other person.

The Company agrees and consents that all transactions occurring outside the normal course of business must have the prior approval of the Commissioner or Supervisor. If there is a question or dispute as to whether or not a transaction is outside of the normal course of business, the Commissioner or Supervisor must be consulted and shall make the final determination as to what constitutes the "normal course of business."

V.

The Company agrees and consents that its officers, directors, agents, and employees shall cooperate with the Commissioner, the Supervisor, and any agents, examiners and employees in the conduct of the supervision, and shall make all of the Company's books and records whether electronic or in hard copy, whether onsite or maintained elsewhere, available for inspection by the Commissioner, the Supervisor, agents or employees. The Company further consents and agrees that its officers, directors, managers, agents and employees will permit the Commissioner, the Supervisor, or their designee to interview in private all of the Company's employees, officers, managers, and directors, without the presence of other Company representatives.

VI.

The Company consents and agrees that its directors, officers, agents and employees shall be prohibited from destroying, altering or deleting or otherwise removing from the Company's files any record or information involving the Company's operations.

VII.

In order to abate this determination of a hazardous condition, the Company agrees and consents that it must meet the following requirements within 60 days of the execution of this Consent Order:

- A. It must acquire and maintain the necessary surplus as determined by statute and the Commissioner;
- B. It must provide all records and financial reports which the Commissioner or Supervisor deems appropriate in a timely and complete manner as determined by the Commissioner or the Supervisor;
- C. It must demonstrate that it has the ability to process all claims promptly and fairly, and pay all claims in a timely manner;
- D. It must review and modify administrative and operational expenses in accordance with the guidelines to be set by the Commissioner or the Supervisor;

The Company further agrees and acknowledges that it must comply with such other requirements provided to the Company in writing by the Commissioner or Supervisor which are based upon information developed or received by the



Commissioner or Supervisor, and which are deemed appropriate and necessary by the Commissioner or Supervisor for the supervision of the Company.

VIII.

The Company agrees that execution of this Consent Order is notice pursuant to sections 33-2-1321(4) and 33-3-432, MCA, that the Company has failed to maintain the minimum amount of surplus and failure to make good the deficiency within 60 days of the date of this Order may result in the Commissioner instituting delinquency proceedings as provided in title 33, chapter 2, part 13, MCA.

IX.

The Company hereby admits and acknowledges that it has received proper notice of the filing of this Consent Order and waives its right to any hearing before the Commissioner or for the right to judicial relief of this Consent Order before the district court as provided in section 33-2-1321(6), MCA.

The signer of this Consent Order for the Company hereby certifies that he has the authority pursuant to a duly executed resolution of the Board of Directors of the Company to sign this Consent Order.

This Consent order is effective and dated this 14th day of March, 2001.

Montana Benefits and Life Company

By: [Signature]  
Its: CEO

Subscribed and Sworn to before me this 14 day of March, 2001.

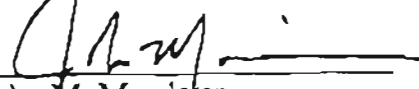
Notary Public for the State of Montana  
Residing at Kalispell, MT

( S E A L )

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My commission expires 2-18-03

JOHN M. MORRISON  
Commissioner of Insurance

By:   
John M. Morrison  
Commissioner of Insurance